

Methodological annex n°11: The rest of the world and the international trade in 2020 benchmark

1. The rest of the world and the international trade

In the functioning of an open economy, interactions with foreign economies play a crucial role. In national accounts, the corresponding transactions are summarized in the account of the rest of the world, which helps to complete the economic circuit. In terms of scope, the rest of the world includes non-resident economic units that conduct economic transactions with resident institutional units.

The account of the rest of the world traces all the relationships of the national economy with the outside: exchanges of goods and services, income exchanges, and other transfers. The analysis of this account reveals how the French economy is financed during the accounting period: through its own resources (financing capacity of the Nation) or with foreign financing contributions (financing needs of the Nation). The imbalance thus highlighted is interpreted using intermediate balances: the balance of goods and services exchanges, the balance of distribution operations, and the balance of capital transfers.

The account is primarily estimated based on data from the French Directorate-General of Customs for goods exchanges and the Balance of Payments for services exchanges, as well as for the income and capital transfers sections. Other secondary sources are used for specific estimates, in accordance with the principles of national accounting.

Generally, exports (P.6) and imports (P.7) represent the exchanges of goods and services between resident and non-resident units. Exports/imports of goods correspond to the change of ownership of goods between residents and non-residents: their measurement is correctly approached when physically crossing customs borders. However, there are exceptions to the principle of change of ownership: goods moving between subsidiaries of groups without changing legal ownership; movements of goods appearing in international trade without crossing the border (sales of petroleum products from a facility located in international waters, international trade, etc.); goods which cross the border but are not included in international trade (goods in transit, goods sent to or received from abroad as part of processing work¹).

¹ Contract work refers to goods sent abroad for minor processing and then re-exported, without changing the ownership of the goods; only the custom work industrial service is recorded as an exchange of goods.

In the 2020 benchmark, the account of the rest of the world has significantly been revised for the year 2019. In the 2014 benchmark, led to a financing need for the nation equal to €17.1 billion, whereas In the 2020 benchmark, the nation now has a financing capacity of €9.4 billion [► [Table 1-1](#)]. This revision (€+26.5 billion) is the result of the combined effect of the revision of the balance of external trade in goods and services (€+7.5 billion), the primary income and current transfers account (€+20.0 billion), and the balance of capital transfers (€-1.0 billion). Regarding primary income, the revisions mainly concern the balance between amounts received from the rest of the world and amounts paid to the rest of the world for property income (€+18.3 billion) and for wages (€+2.0 billion). These revisions primarily reflect an alignment with the statistical sources on which the rest of the world's accounts are based, and more particularly with the Balance of Payments.

Table 1-1 : The nation's borrowing requirement by major aggregate -2019, in euros (billions)

<i>Balance (received net of paid)</i>	2014 Ben- chmark	2020 Ben- chmark	Revision
Nation's net lending (+)/net borrowing (-)	-17,1	9,4	26,5
Foreign trade in goods and services	-23,3	-15,8	7,5
Employee remuneration	21,6	23,6	2,0
Property income	27,1	45,5	18,3
Tax net of subsidies	9,0	9,0	0,0
Social security contributions and benefits	-9,7	-9,9	-0,2
Current transfers	-41,8	-41,9	-0,1
Capital transfers	0,0	-1,0	-1,0

Source : Insee, national accounts

2. A necessary realignment to the Balance of Payments source data

While the Banque de France—and more particularly the Balance of Payments—is the main source for establishing the account of the rest of the world, the estimates differ for several reasons. On the one hand, in some cases (return of goods, processing work, etc.), national accounting adjusts the data from customs declarations for goods exchanges. On the other hand, national accounting publishes its final account before the publication of [Rapport Annuel de la Balance des paiements et de la position extérieure de la France](#). Thus, the latest revisions included in the Annual Report are not integrated into the current national accounts campaigns but are included during the base year construction. The revision rules for national accounting and the Balance of Payments are not the same: according to European recommendations, national accounts do not revise their entire account each year but wait for the base year change to revise all series; in contrast, the Balance of Payments operates continuous changes. The estimation objectives are different: the national accounts aim to measure trends to obtain the most relevant possible long-term series in terms of evolution, whereas the Balance of Payments seeks to have the best possible estimate of the current balance.

Thus, the alignment of national accounts with the Balance of Payments is undertaken at each benchmark revision. For several years, and particularly for the 2020 benchmark, the convergence of approaches has been improved. Indeed, the Balance of Payments (BPM) and the National Accounts (ESA) reference manuals have converged since the transition to ESA 2010 and BPM6. The ESA 2010 is particularly explicit (§18.05): “*The standard framework for statistics on the transactions and positions between an economy and the rest of the world is set out in the Balance of Payments and International Investment Position Manual 2008 (Sixth edition) (BPM6). That manual is harmonised with the System of National Accounts 2008, but sets out the interactions between the domestic economy and the rest of the world in a set of accounts and balance sheets which present the information in a different way*”.

The statistical concepts are therefore very similar: the same field of analysis concerning the trade in goods and services, as well as the income flows received and paid; the same interest aggregates, namely the [trade balance \(also published by the General Directorate of Customs\)](#), the external balance of goods and services (B.11), the current external balance (goods, services, and income – B.12), and the financing capacity or need (B.9).

Despite this theoretical convergence and an overall alignment of balances with the 2014 benchmark, discrepancies persisted by operation and by product. However, the differences were limited on the external balance (B.11) as some of the discrepancies by item were offset. For the 2020 base, significant work was carried out jointly by the national accounts and the Balance of Payments to align data not only on balances but also by products and operations.

3. The external balance of goods and services is revised upwards by €+7.5 billion

To compile exports and imports of services, the national accounts are based on the level of the Balance of Payments data and no longer on trends and/or contributions to a specific aggregate, as was done in the 2014 benchmark. For some items, the discrepancies in the 2014 benchmark have widened from year to year and, generally, this method of considering changes (rather than levels) has made it difficult to monitor revisions in the source data from the Balance of Payments and the final data in the national accounts.

The rebasing of the accounts on Balance of Payments data has a major impact on foreign trade. In fact, the improvement in the external balance is mainly attributable to the upward revision (€+18.9 billion) of the balance of trade in services [► [Table 3-1](#)], in particular transport and courier services (€+9.6 billion) and administrative and support services (€+6.7 billion). The alignment with the Balance of Payments has allowed the national accounts to realign their service exchange estimates at a detailed level. These revisions primarily concern transport services (in particular modes of transport other than sea and air and auxiliary services), financial services (in particular reinsurance), and tourism-related expenditures.

Service exports are revised up by €17.0 billion between the 2014 base and the 2020 base, mainly due to financial services (€+9.5 billion) and, to a lesser extent, Transport and Courier services (€+3.2 billion) and administrative and support services (€+2.6 billion). Imports are revised down by €1.5 billion. Despite the upward revision for financial services (€+9.5 billion), most service revisions are downward: €- 6.4 billion for transport and courier, €-4.0 billion for administrative and support services, and €- 2.2 billion for commerce.

Table 3-1 : The external trade of goods and services - 2019, in euros (billion)

		2014 Benchmark			2020 Benchmark			Revision		
		Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Trade in goods (FOB-CIF)	DB	536.7	590.4	-53.8	552.2	606.8	-54.6	15.6	16.4	-0.8
Agricultural products	AZ	16.1	14.7	1.4	16.1	14.7	1.5	0.0	0.0	0.1
Products of mining, energy, water supply, sewerage, waste management and remediation activities industries	DE	10.1	39.4	-29.3	12.8	39.8	-27.1	2.7	0.4	2.2
Manufactured products	DIM	510.5	536.4	-25.9	523.3	552.3	-29.0	12.8	16.0	-3.1
Of which Food, drinks and tobacco	C1	49.8	43.1	6.7	49.9	43.0	6.9	0.2	-0.1	0.2
Of which Coke and refined petroleum products	C2	12.6	25.9	-13.3	12.9	29.1	-16.2	0.3	3.3	-2.9
Of which Electrical and electronic equipments, computers, machines	C3	93.3	126.4	-33.1	94.0	126.7	-32.6	0.7	0.3	0.4
Of which Transport equipment	C4	137.5	108.7	28.8	146.7	118.2	28.5	9.2	9.6	-0.3
Of which Other manufactured goods	C5	217.3	232.4	-15.1	219.7	235.3	-15.6	2.5	2.9	-0.5
CIF-FOB Correction	CAF AB		-18.8	18.8		-14.9	14.9		3.9	-3.9
Trade in goods (FOB-FOB)	DB	536.7	571.6	-34.9	552.2	591.9	-39.7	15.6	20.3	-4.8
Trade in services	DS	173.6	177.1	-3.4	191.0	175.6	15.4	17.4	-1.5	18.9
Market services	DS M	172.7	176.2	-3.5	189.7	174.7	15.0	17.0	-1.5	18.4
Of which Construction	FZ	---	---	---	2.0	1.5	0.5	2.0	1.5	0.5
Of which Commerce	GZ	7.0	9.7	-2.7	6.7	7.5	-0.8	-0.2	-2.2	2.0
Of which Transport and Courier	HZ	35.3	50.5	-15.1	38.5	44.0	-5.5	3.2	-6.4	9.6
Of which FOB valuation		-2.2	10.9	-13.1	-1.4	4.2	-5.6	0.8	-6.7	7.5
Of which Information-communication services	JZ	22.2	23.8	-1.6	22.8	25.2	-2.4	0.6	1.4	-0.8
Of which Financial services	KZ	16.6	7.7	9.0	26.1	17.2	9.0	9.5	9.5	0.0
Of which Administrative and support services	MN	86.3	80.7	5.6	88.9	76.7	12.2	2.6	-4.0	6.7
Of which Household services	RU	5.3	3.8	1.5	4.7	2.6	2.0	-0.7	-1.2	0.6
Non-market services	OQ	0.9	0.9	0.0	1.3	0.9	0.5	0.4	-0.1	0.5
Territorial correction	CHT R	59.8	44.7	15.1	56.7	48.3	8.5	-3.1	3.5	-6.6
Trade balance	TO-TAL	770.1	793.4	-23.3	799.9	815.7	-15.8	29.8	22.3	7.5

Source : Insee, national accounts

A methodological change concerning the valuation "free on board" (FOB) for transport services results in a revision of €+7.5 billion in the balance. In more detail, the national accounts have incorporated the new estimates made by the Balance of Payments as part of the benchmark revision for the 'FOB valuation' for transport services and for damage insurance.

At the same time, the improvement in the estimation of external exchanges by product has led to the introduction of new exchanges in financial and construction services. Regarding financial services, the trading margin on financial securities (€+3.3 billion in exports and €+2.0 billion in imports) and auxiliary financial service activities (€+1.3 billion in exports and €+2.1 billion in imports) were added in the 2020 benchmark compared to the 2014 benchmark. In the 2014 benchmark, national accounts recorded construction services from the Balance of Payments as income of quasi-corporations (D.422). Exchanges of information with the Balance of Payments showed that their treatment of 'large construction projects' carried out abroad and 'small construction projects' carried out in France was consistent. Therefore, in 2020 benchmark, the national accounts have decided to record the data reported by the Balance of Payments as trade in services, i.e. exports (€+2.0 billion) and imports (€+1.5 billion) of construction services.

Expenditures of residents abroad and expenditures of non-residents in France (known as "territorial correction") were revised downwards in the 2020 benchmark. The balance of the territorial correction is revised by €-6.6 billion, from €15.1 billion in the 2014 benchmark to €8.5 billion in the 2020 benchmark, due to the combined effect of the downward revision of exports (€-3.1 billion) and the upward revision of imports (€+3.5 billion). While the revision of exports is linked to the rebasing of source data, for imports it also takes into account a revision of business travel expenditure and an improvement in the statistical treatment of the personal travel expenditure survey by the Balance of Payments.

In customs statistics, exports of goods are well evaluated at the FOB price, but detailed imports of goods are evaluated at the "cost insurance freight" (CIF) price, that is the point of entry into French territory: the difference represents the costs of transporting goods from the border of the exporting country to the French border and includes mainly transport costs and, incidentally, insurance costs.

The balance of trade in goods, valued at FOB-FOB, is revised down by €4.8 billion in 2019, mainly due to the revision of the CIF-FOB correction which impacts imports (€-3.9 billion). This is the result of the new method of calculating the CIF-FOB correction rate implemented by the DGDDI and adopted by the national accounts during the benchmark revision [\[1\]](#).

The upward revision of the balance for the item " Products of mining, energy, water supply, sewerage, waste management and remediation activities industries" (DE, in the A17 classification), equal to €2.2 billion, in connection with a better consideration of energy trading, is more than offset by the downward revision of the balance of trade in manufactured products (€-3.1 billion), in particular refined petroleum products and coke (C2) which are bought and resold abroad without crossing the French border.

In addition to better accounting for international trading data (for exports) from the Balance of Payments for natural hydrocarbons (a sub-category of DE), an analysis was also conducted to better integrate processing work from the Balance of Payments, particularly for other industrial products (C5).

The revisions on exports (€+9.2 billion) and imports (€+9.6 billion) of transport equipment (C4) are the result of an analysis of the aeronautical construction activity carried out in close cooperation with the Balance of Payments for a better estimation of the supply and use balance of the aeronautical and space construction sector (C30C). This work led to gain a better understanding of the exchanges between production units in France and abroad in the production process of certain major industrial groups. In particular, a detailed study of the organization of this sector allows a better respect of the criterion of economic property from the ESA 2010 and BPM6. However, the balance of foreign trade's revision in transport equipment remains rather limited (€-0.3 billion).

4. In the 2020 benchmark, the balance of distribution transactions revised upwards by €19.0 billion

In the 2020 benchmark, the balance of distributive operations [► [Table 4-1](#)] is revised upwards, mainly due to the balance of property income, which is increased from €27.1 billion to €45.5 billion (€+18.3 billion) in 2019.

The balance of current operations with the rest of the world (B.12) is revised by €+27.5 billion between the 2014 benchmark and the 2020 benchmark: with the improvement of the balance of foreign trade in goods and services (B.11), which goes from €-23.3 billion to €-15.8 billion (€+7.5 billion), is added the upward revision of the balance of current distributive transactions (€+20.0 billion).

Property income (D.4) received from the rest of the world is revised upward by €+18.2 billion, while property income paid to the rest of the world is revised downward by €-0.1 billion. The upward revision of property income received by the nation is mainly due to the reinvested earnings on foreign direct investments (D.43), which increased by €16.2 billion, and to a lesser extent, to other investment income (D.44), which increased by €2.4 billion. The slight revision of property income paid to the rest of the world results from a combination of a downward revision of €3.6 billion on interest received due to a new method of estimating indirectly measured financial intermediation services (FISIM) and an upward revision of €3.6 billion on participation income. Indeed, the introduction of construction services whose duration is less than one year in foreign trade leads to their withdrawal from the income of corporations (D.422).

Table 4-1 : External income and capital transactions - 2019, in euros (billions)

Vision : resident sector		2014 Benchmark			2020 Benchmark			Revision		
		Uses	Resources	Balance	Uses	Resources	Balance	Uses	Resources	Balance
Current external balance	B12			-17.1			10.4			27.5
External balance of goods and services	B11			-23.3			-15.8			7.5
Exports of goods and services	P6		770.1			799.9			29.8	
Imports of goods and services	P7	793.4			815.7			22.3		
Primary and secondary income balance				6.2			25.2			19.0
Compensation of employees	D1	1.6	23.1	21.6	1.8	25.4	23.6	0.3	2.2	2.0
Taxes on production and imports	D2	4.6	0.0	-4.6	4.6	0.0	-4.6	0.0	0.0	0.0
Subsidies on products and production	D3	-8.2	0.0	8.2	-8.2	0.0	8.2	0.0	0.0	0.0
Property income	D4	127.8	154.9	27.1	127.7	173.1	45.5	-0.1	18.2	18.3
<i>Of which Interest</i>	<i>D41</i>	<i>73.6</i>	<i>65.1</i>	<i>-8.5</i>	<i>70.0</i>	<i>65.2</i>	<i>-4.7</i>	<i>-3.6</i>	<i>0.2</i>	<i>3.8</i>
<i>Of which distributed income of corporations</i>	<i>D42</i>	<i>44.0</i>	<i>74.4</i>	<i>30.5</i>	<i>54.3</i>	<i>73.9</i>	<i>19.6</i>	<i>10.4</i>	<i>-0.6</i>	<i>-10.9</i>
<i>Of which reinvested earnings on foreign direct investment</i>	<i>D43</i>	<i>7.2</i>	<i>11.3</i>	<i>4.1</i>	<i>0.4</i>	<i>27.5</i>	<i>27.1</i>	<i>-6.8</i>	<i>16.2</i>	<i>23.0</i>
<i>Of which investment income</i>	<i>D44</i>	<i>3.0</i>	<i>4.1</i>	<i>1.1</i>	<i>3.0</i>	<i>6.5</i>	<i>3.5</i>	<i>-0.1</i>	<i>2.4</i>	<i>2.4</i>
Current taxes on income, wealth ...	D5	0.0	5.4	5.4	0.0	5.4	5.4	0.0	-0.1	-0.1
Social contributions and benefits	D6	15.5	5.8	-9.7	15.8	5.9	-9.9	0.3	0.1	-0.2
<i>Of which social contributions</i>	<i>D61</i>	<i>7.7</i>	<i>0.3</i>	<i>-7.5</i>	<i>8.0</i>	<i>0.3</i>	<i>-7.7</i>	<i>0.3</i>	<i>0.1</i>	<i>-0.2</i>
<i>Of which social benefits</i>	<i>D62</i>	<i>7.8</i>	<i>5.5</i>	<i>-2.2</i>	<i>7.8</i>	<i>5.6</i>	<i>-2.2</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Other current transfers	D7	57.7	15.8	-41.8	63.2	21.4	-41.9	5.6	5.5	-0.1
Adjustment for the change in pension entitlements	D8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance of capital transactions				0.0			-1.0			-1.0
Capital transfers	D9	1.9	1.9		3.0	2.1		1.2	0.2	
Net lending (+) / Net borrowing (-)	B9			-17.1			9.4			26.5

Source : Insee, national accounts

The compensation of employees balance (D.1) is revised upwards (€+2.0 billion), from €21.6 billion in the 2014 benchmark to €23.6 billion in the 2020 benchmark. This revision comes mainly from salaries

received from the rest of the world, which are revised upwards by €2.2 billion due to a better estimation of these amounts of cross-border workers' salaries in source data from the Balance of Payments.

The social contributions balance (D.61) is revised down by €0.2 billion, in relation to the above-mentioned review of cross-border workers' incomes, while that of social benefits (D.62) remains unchanged (revision less than €0.1 billion). Social contributions received from the rest of the world are revised less than those paid to the rest of the world (€0.1 billion versus €0.3 billion).

Current transfers (D.7) paid to the rest of the world are revised upwards by €+5.6 billion, mainly due to alignment with the source data from the Balance of Payments for net insurance premiums (D.71) and insurance damage compensations (D.72) for a total amount of €+4.8 billion, and secondly for transfers paid by public administrations. Symmetrically, transfers received from the rest of the world are revised up by €+5.5 billion (payments between households), due to alignment with the estimates from the Balance of Payments (D.75), based on the amounts of remittances collected by the World Bank.

Finally, the capital redistribution operations balance is revised downwards, going from an almost neutral balance to €-1.0 billion. While the balance between investment aid (D.92) received from the rest of the world and paid to the rest of the world revised up slightly (€+0.1 billion), the balance of other capital transfers (D.99) revised down by €1.1 billion.

5. Links

Reference	Link
Annual report on France's balance of payments and international investment position	https://www.banque-france.fr/fr/publications-et-statistiques/publications?format%5B31%5D=31&sub_format%5B92%5D=92&start-date=&end-date=
Trade balance reported by the French Directorate-General of Customs	https://lekiosque.finances.gouv.fr/
[1]	The new method for estimating the CIF-FOB correction for imports of goods is presented in a note elaborated by the French Directorate-General of Customs and published on their website : https://lekiosque.finances.gouv.fr/fichiers/guide/Note_Correction_CAF_FAB_2024.pdf